

INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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25X1A

COUNTRY Austria
 SUBJECT Soviet Military Bank in Vienna
 DATE OF INFO. 25X1A
 PLACE ACQUIRED
 DATE ACQUIRED
 REPORT NO.
 DATE DISTR. 20 June 1955
 NO. OF PAGES 5
 REQUIREMENT NO. RD
 REFERENCES

SOURCE EVALUATIONS ARE DEFINITIVE. APPRAISAL OF CONTENT IS TENTATIVE.

SOURCE: 25X1X

25X1A

2-02-0406

6/55 (12)

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773-3

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STATE	#X	ARMY	#X	NA	AIR	#X	FBI	AEC				
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(Note: Washington distribution indicated by "X"; Field distribution by "#".)

SECRETREPORT NO. 25X1

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SOURCE

1. The Military Bank (Voyennyy Bank) was the only Soviet bank in Austria. It was located in Vienna I, Trattnerhof 1, and was subordinate to the Gosbank of the USSR. Altogether the bank employed about 12 Soviets and 60 to 70 Austrians. The director of the bank was a Soviet named Savanin. Source did not know the exact organization of the bank but was able to provide some information on the following departments:
 - a. Credit Department (kreditnyy otdel)
 - b. Department of Internal Accounts (otdel vnutrennikh raschetov)
 - c. Department of Foreign Accounts (otdel vneshnikh raschetov)
 - d. Department of Accounts for Capital Repairs (otdel raschetov po kapitalnim remontam)
 - e. Department of Accounts for Capital Construction (otdel raschetov po kapitalnomu stroitelstvu)
2. Credit Department - The function of this department was to advance credit to all Soviet economic enterprises in Austria, such as plants subordinate to USIA. Two types of credit were advanced: long-term or permanent credit and short-term credit.
 - a. Long-term credit
 - 1) In the Soviet Union an established sum of money, working capital (oborotnyy kapital), was advanced to each plant or enterprise for its normal management needs. This working capital was tied up in raw materials, wages, unfinished production, finished products, and other commodity-material values (tovarno-materialnyye tsennosti).

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This working capital was in effect considered to be the property of the plant and no interest payments were paid to the bank which supplied the money. In Austria the situation was different. None of the Soviet enterprises or plants had its own working capital. Instead, they all received long-term credit through the Credit Department of the Military Bank; it was called working capital but for the use of it the Military Bank charged an annual interest rate of 9 to 11 percent. Source believed that Soviet plants in Austria were not allotted their own working capital so that the USSR could reclaim all credits at any time in the event that the plants were sold to the Austrian Government.

- 2) The amount of credit for working capital received by a Soviet plant in Austria from the Military Bank was based on the planned yearly output of the plant expressed in Austrian schillings. A plan was worked out for each plant which established the norms for various categories of commodity-material values which the plant was permitted to have on hand at any given time. For instance, for a plant with a planned yearly output of 50,000,000 Austrian schillings and a maximum technological production cycle of 30 days, i.e., any article manufactured by the plant could be produced within a 30 day period, the following norms for commodity-material values might be established in days and converted to credit to be advanced to the plant:

<u>Categories of Commodity-Material Values</u>	<u>Days</u>	<u>Credit</u> (In Thousands of Austrian Schillings)
Finished Products	30	4,000
Raw Material	60	6,800
unfinished Production (received by the plant)	30	4,500
Purchased Semi-manufactured Material	30	500
Packaging Material	30	300
Fuel	40	200
Spare Parts (for repairing plant equipment)	30	200
Miscellaneous Expenditures	30	<u>500</u>
TOTAL		17,000

- 3) Thus, a plant subordinate to USIA such as AEG-Union with a planned output of 50,000,000 Austrian schillings per year received long-term or permanent credit from the Military Bank which amounted to about 17,000,000 Austrian schillings, for which the Bank received a yearly rate of interest of 9 to 11 percent. With the aid of the Finance Section of USIA and the Finance Section of the USIA operating division to which the plant was subordinate, the Bank closely watched to see that the credit advanced to the plant was properly utilized.¹ In particular, the quantity of money invested in each separate category of the above listed commodity-material values was closely watched to see that it did not exceed authorized norms.

b. Short-term credit

In the event that a plant out of commercial necessity did accumulate finished production, raw materials, etc. in quantities above that dictated by the norms, the Bank would advance short-term credit of up to one month to the plant, accepting the excess stock as collateral. The annual rate of interest charged by the Military Bank for short-term loans of this type was 9 to 11 percent.

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3. The Department of Internal Accounts, or the Bureau of Mutual Check Accounts (byuro vzaimnykh beznalichnykh raschëtov - BVR) as it was sometimes called, was formed in the beginning of 1954. This department maintained current checking accounts for all Soviet enterprises in Austria. These accounts operated in the following manner: Each Soviet enterprise in Austria presented a financial statement to the bank upon the sale of its finished products to Austrian enterprises and to other Soviet enterprises in Austria. The Bank would then appropriately debit or credit the accounts of the Soviet enterprises. Each Friday the Military Bank computed a weekly balance of debits and credits for each enterprise and issued statements to each enterprise which indicated whether or not the balance was in its favor. If the balance was on the debit side, the current checking account of the enterprise was closed. In such cases, the enterprise was advanced compulsory credit to settle its accounts with other enterprises at a 9 to 11 percent annual interest charge. This system was very beneficial for several reasons.
 - a. The advanced compulsory credit enabled plant directors to pay outstanding debts without going through a lot of red tape. Prior to the establishment of this system, it had often taken plant directors two weeks to obtain loans from the Bank when their accounts were in the red. Because of the long time involved in obtaining such loans, plant directors had frequently been forced to raise the capital by selling needed raw material or by some other such means.
 - b. This system was also beneficial because it forced enterprises to settle accounts with each other on a weekly basis, whereas previously plants within USIA, for instance, sometimes had not paid each other for periods of months.
 - c. At the same time, this system provided the Military Bank and the chiefs of such Soviet economic organizations as USIA with an excellent means of control over Soviet plant directors in Austria. If a plant director's account remained in the red for more than a week, he was invariably called on the carpet and told in no uncertain terms to straighten out his finances. At such times, the plant director could cause pressure to be brought against other departments within the organization such as the Sales and Supply Offices and Commercial Sections in USIA which were responsible for aiding the plants in procuring raw materials and in disposing of finished production.
4. The Department of Foreign Accounts. Source knows nothing about this department except that it settled financial accounts with Austrian and foreign firms.
5. The Department of Accounts for Capital Repairs maintained separate accounts on capital repairs for all Soviet plants in Austria. Each Soviet plant was obliged to contribute monthly to a sinking fund for capital repairs. Contributions to this fund were in the range of 1 to 1½ percent of the total estimated value of the plant's basic capital, which included all buildings, installations, equipment machinery, and motor vehicles belonging to the plant. From this fund the Bank paid the debts incurred by a plant for capital repairs on a monthly basis.
6. The Department of Accounts for Capital Construction managed accounts for all Soviet plants in Austria which dealt with capital construction. A sum of money was set aside by the Bank for the current year for each Soviet plant or enterprise in Austria. The plants were obliged to submit approved capital construction estimates to the Bank for each planned project. The Bank then financed the construction in accordance with these approved estimates. In USIA construction estimates of up to one million Austrian schillings were approved by the general director of the operating division to which the plant was subordinate. Capital construction estimates which ranged between one and three million Austrian schillings had to be approved by the Chief of USIA. Capital construction estimates above three million Austrian schillings had to be approved by GUSIMZ in Moscow.

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7. All resources derived by the Military Bank were expended in accordance with strict orders from Moscow. The following financial resources were expended by the Military Bank in Austria:

- a. Resources for capital repairs of Soviet enterprises
- b. Resources for capital construction work on Soviet enterprises
- c. Resources for various undertakings designed to improve working and living conditions of workers in Soviet enterprises. The Military Bank obtained money for this purpose through a fund to which each Soviet enterprise contributed on a quarterly basis. The amount contributed depended on the profit made by the enterprise. This fund was called the "Fund for the Betterment of Austrian Workers' Living Conditions" (Fond Uluchsheniya Bytovykh Usloviy Austriyskikh Rabochikh - FUBR).
- d. Resources for the support of the Soviet troops in Austria. Source stated that the bulk of the funds for this were derived from SNU, which has been the only really profitable Soviet economic organization in Austria since 1953.
- e. Resources for propaganda purposes. Some of the money in this category was used to support the Austrian Communist Party.
- f. Resources for the maintenance of the Soviet apparatus in Austria.

If there was any money left after the above needs were fulfilled, it was utilized to pay for machinery, equipment, consumer goods, and strategic material, such as copper, aluminum, high quality steel, nickel, etc., obtained through Soviet organizations in Austria and shipped to the USSR.

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